



General Assembly

***Amendment***

***February Session, 2012***

**LCO No. 4010**

**\*HB0522904010HDO\***

Offered by:

REP. MEGNA, 97<sup>th</sup> Dist.

SEN. CRISCO, 17<sup>th</sup> Dist.

REP. SAMPSON, 80<sup>th</sup> Dist.

To: Subst. House Bill No. **5229**

File No. 214

Cal. No. 182

***"AN ACT EXEMPTING CERTAIN ASSOCIATIONS FROM THE  
INSURANCE STATUTES."***

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- 1      In line 23, strike "on and after July 1,"
- 2      In line 24, strike "2012, and until July 1, 2015,"
- 3      In line 53, strike "On and after July 1," and insert in lieu thereof
- 4      "Except as provided in subsection (b) of section 38a-614, as amended
- 5      by this act, and section 38a-615, as amended by this act,"
- 6      In line 54, strike "2012, and until July 1, 2015,"
- 7      After the last section, add the following and renumber sections and
- 8      internal references accordingly:
- 9      "Sec. 501. Section 38a-614 of the general statutes is repealed and the
- 10     following is substituted in lieu thereof (*Effective July 1, 2012*):

11       (a) ~~[Reports]~~ A society shall ~~[be filed and]~~ file reports and publish  
12       synopses of annual statements ~~[shall be published]~~ in accordance with  
13       the provisions of this ~~[section]~~ subsection.

14       (1) ~~[Every]~~ Each domestic society transacting business in this state  
15       shall, annually, on or before the first day of March, unless the  
16       commissioner has extended such time for cause shown, ~~[such time has~~  
17       ~~been extended by the commissioner,]~~ file with the commissioner, and  
18       electronically to the National Association of Insurance Commissioners,  
19       a true and complete statement of its financial condition, transactions  
20       and affairs for the preceding calendar year and pay a fee of ten dollars  
21       for filing the same. The statement shall be in general form and context  
22       as approved by the National Association of Insurance Commissioners  
23       for fraternal benefit societies and as supplemented by additional  
24       information required by the commissioner. An electronically filed true  
25       and complete report filed in accordance with section 38a-53a that is  
26       timely submitted to the National Association of Insurance  
27       Commissioners ~~[does]~~ shall not exempt a domestic ~~[insurance~~  
28       ~~company or health care center]~~ society from timely filing a true and  
29       complete paper copy with the commissioner.

30       (2) ~~[Every]~~ Each foreign society transacting business in this state  
31       shall, annually, on or before the first day of March, unless the  
32       commissioner has extended such time for cause shown, ~~[such time has~~  
33       ~~been extended by the commissioner,]~~ file with the commissioner, and  
34       electronically to the National Association of Insurance Commissioners,  
35       a true and complete statement of its financial condition, transactions  
36       and affairs for the preceding calendar year and pay a fee of ten dollars  
37       for filing the same. The statement shall be in general form and context  
38       as approved by the National Association of Insurance Commissioners  
39       for fraternal benefit societies and as supplemented by additional  
40       information required by the commissioner. An electronically filed true  
41       and complete report filed in accordance with section 38a-53a that is  
42       timely submitted to the National Association of Insurance  
43       Commissioners shall be deemed to have been submitted to the  
44       commissioner in accordance with this ~~[section]~~ subsection.

45 (3) [A] Not later than June first, annually, each society shall print  
46 and mail to each benefit member of the society a synopsis of its annual  
47 statement [providing] that provides an explanation of the facts thereby  
48 disclosed concerning the condition of the society. [thereby disclosed  
49 shall be printed and mailed to each benefit member of the society not  
50 later than the first day of June of each year, or, in] In lieu thereof, a  
51 society may publish such synopsis [may be published] in the society's  
52 official publication.

53 (4) (A) As part of the annual statement [herein] required under this  
54 subsection, each society shall, annually, on or before the first day of  
55 March, file with the commissioner a valuation of its certificates in force  
56 on December thirty-first last preceding, provided the commissioner  
57 may, [in his discretion] for cause shown, extend the time for filing such  
58 valuation for not more than two calendar months. Such report of  
59 valuation shall show, as reserve liabilities, the difference between the  
60 present midyear value of the promised benefits provided in the  
61 certificates of such society in force and the present midyear value of  
62 the future net premiums as the same are in practice actually collected,  
63 not including therein any value for the right to make extra assessments  
64 and not including any amount by which the present midyear value of  
65 future net premiums exceeds the present midyear value of promised  
66 benefits on individual certificates.

67 (B) At the option of any society, in lieu of the [above] valuation  
68 specified in subparagraph (A) of this subdivision, the valuation may  
69 show the net tabular value. Such net tabular value as to certificates  
70 issued prior to January 1, 1959, shall be determined in accordance with  
71 the provisions of law applicable prior to January 1, 1958, and as to  
72 certificates issued on or after January 1, 1959, shall not be less than the  
73 reserves determined according to the Commissioners' Reserve  
74 Valuation method as hereinafter defined. If the premium charge is less  
75 than the tabular net premium according to the basis of valuation used,  
76 an additional reserve equal to the present value of the deficiency in  
77 such premiums shall be set up and maintained as a liability. The  
78 reserve liabilities shall be properly adjusted if the midyear or tabular

79 values are not appropriate.

80 (5) Reserves according to the Commissioners' Reserve Valuation  
81 method, for the life insurance and endowment benefits of certificates  
82 providing for a uniform amount of insurance and requiring the  
83 payment of uniform premiums, shall be the excess, if any, of the  
84 present value, at the date of valuation, of such future guaranteed  
85 benefits provided for by such certificates over the then present value of  
86 any future modified net premiums therefor. The modified net  
87 premiums for any such certificate shall be such uniform percentage of  
88 the respective contract premiums for such benefits that the present  
89 value, at the date of issue of the certificate, of all such modified net  
90 premiums shall be equal to the sum of the then present value of such  
91 benefits provided for by the certificate and the excess of (A) over (B), as  
92 follows: (A) A net level premium equal to the present value, at the date  
93 of issue, of such benefits provided for after the first certificate year,  
94 divided by the present value, at the date of issue, of an annuity of one  
95 per annum payable on the first and each subsequent anniversary of  
96 such certificate on which a premium falls due; provided such net level  
97 annual premium shall not exceed the net level annual premium on the  
98 nineteen year premium whole life plan for insurance of the same  
99 amount at an age one year higher than the age at issue of such  
100 certificate; and (B) a net one-year term premium for such benefits  
101 provided for in the first certificate year. Reserves according to the  
102 Commissioners' Reserve Valuation method for (i) life insurance  
103 benefits for varying amounts of benefits or requiring the payment of  
104 varying premiums, (ii) annuity and pure endowment benefits, (iii)  
105 disability and accidental death benefits in all certificates and contracts,  
106 and (iv) all other benefits except life insurance and endowment  
107 benefits shall be calculated by a method consistent with the principles  
108 of this subdivision.

109 (6) The present value of deferred payments due under incurred  
110 claims or matured certificates shall be deemed a liability of the society  
111 and shall be computed upon mortality and interest standards  
112 prescribed in subdivision (7) of this [section] subsection.

113 (7) Such valuation and underlying data shall be certified by a  
114 competent actuary or, at the expense of the society, verified by the  
115 actuary of the department of insurance of the state of domicile of the  
116 society. The minimum standards of valuation for certificates issued  
117 prior to January 1, 1959, shall be those provided by the law applicable  
118 immediately prior to January 1, 1958, but not lower than the standards  
119 used in the calculating of rates for such certificates. The minimum  
120 standard of valuation for certificates issued after January 1, 1959, shall  
121 be three and one-half per cent interest and the following tables: (A) For  
122 certificates of life insurance, American Men Ultimate Table of  
123 Mortality, with Bowerman's or Davis' Extension thereof or, with the  
124 consent of the Insurance Commissioner, the Commissioner's 1941  
125 Standard Ordinary Mortality Table or the Commissioner's 1941  
126 Standard Industrial Table of Mortality, or the Commissioners' 1958  
127 Standard Ordinary Mortality Table, except that, with the approval of  
128 the commissioner, the valuation of contracts on female risks may be  
129 calculated, at the option of the society, according to an age not more  
130 than three years younger than the actual age of the insured; (B) for  
131 annuity certificates, including life annuities provided or available  
132 under optional modes of settlement in such certificates, the 1937  
133 Standard Annuity Table; (C) for disability benefits issued in connection  
134 with life benefit certificates, Hunter's Disability Table, which, for active  
135 lives, shall be combined with a mortality table permitted for  
136 calculating the reserves on life insurance certificates, except that the  
137 table known as Class III Disability Table (1926), modified to conform to  
138 the contractual waiting period, shall be used in computing reserves for  
139 disability benefits under a contract which presumes that total disability  
140 shall be considered to be permanent after a specified period; (D) for  
141 accidental death benefits issued in connection with life benefit  
142 certificates, the Inter-Company Double Indemnity Mortality Table  
143 combined with a mortality table permitted for calculating the reserves  
144 for life insurance certificates; and (E) for noncancellable accident and  
145 health benefits, the Class III Disability Table (1926) with conference  
146 modifications or, with the consent of the commissioner, tables based  
147 upon the society's own experience. The commissioner may [, in the

148 commissioner's discretion,] accept other standards for valuation if the  
149 commissioner finds that the reserves produced thereby will not be less  
150 in the aggregate than reserves computed in accordance with the  
151 minimum valuation standard herein prescribed. The commissioner  
152 may, in his or her discretion, vary the standards of mortality applicable  
153 to all certificates of insurance on substandard lives or other extra  
154 hazardous lives by any society authorized to do business in this state.  
155 Whenever the mortality experience under all certificates valued on the  
156 same mortality table is in excess of the expected mortality according to  
157 such table for a period of three consecutive years, the commissioner  
158 may require additional reserves when deemed necessary in [his or her]  
159 the commissioner's judgment on account of such certificates. Any  
160 society, with the consent of the insurance commissioner of the state of  
161 domicile of the society and under such conditions, if any, [which the]  
162 that such commissioner may impose, may establish and maintain  
163 reserves on its certificates in excess of the reserves required  
164 thereunder, but the contractual rights of any insured member shall not  
165 be affected thereby.

166 (8) A society [neglecting] doing business in this state that fails to file  
167 the annual statement in the form and within the time provided by this  
168 [section] subsection shall [forfeit] pay a late filing fee of one hundred  
169 seventy-five dollars per day for each day [during which such neglect  
170 continues] from the due date of such statement, and, upon notice by  
171 the commissioner to that effect, its authority to do business in this state  
172 shall cease while such [default] failure to file continues. The  
173 commissioner may waive the late filing fee if (A) the society cannot file  
174 such statement because the governor of such society's state of domicile  
175 has proclaimed a state of emergency in such state and such state of  
176 emergency impairs the society's ability to file the statement, or (B) the  
177 insurance regulatory official of the state of domicile of a foreign benefit  
178 society has permitted the society to file such statement late.

179 (9) Notwithstanding the provisions of this [section] subsection, a  
180 society may, with the approval of the Insurance Commissioner, use the  
181 standards for valuation and nonforfeiture authorized by the provisions

182 of sections 38a-61, 38a-77, 38a-78, 38a-81, 38a-82, 38a-284, 38a-287, 38a-  
183 430 to 38a-454, inclusive, and 38a-458.

184 (b) Each association that is (1) a tax-exempt organization under  
185 Section 501(c)(23) of the Internal Revenue Code of 1986, or any  
186 subsequent corresponding internal revenue code of the United States,  
187 as amended from time to time, (2) doing business in this state, and (3)  
188 not licensed under sections 38a-595 to 38a-626, inclusive, as amended  
189 by this act, 38a-631 to 38a-640, inclusive, and 38a-800, shall, annually,  
190 on or before the first day of May, file with the commissioner a true and  
191 complete financial statement audited by an independent certified  
192 public accountant or accounting firm of its financial condition,  
193 transactions and affairs for the preceding calendar year and pay a fee  
194 of ten dollars for filing the same.

195 Sec. 502. Section 38a-615 of the general statutes is repealed and the  
196 following is substituted in lieu thereof (*Effective July 1, 2012*):

197 (a) In addition to the annual report required under section 38a-614,  
198 as amended by this act, the commissioner, when [he] the commissioner  
199 deems it necessary, may require any fraternal benefit society licensed  
200 under sections 38a-595 to 38a-626, inclusive, as amended by this act,  
201 38a-631 to 38a-640, inclusive, and 38a-800, or any association set forth  
202 in subsection (b) of section 38a-614, as amended by this act, to file  
203 financial statements on a quarterly basis.

204 (b) In addition to such annual report and the quarterly report  
205 required under subsection (a) of this section, the commissioner,  
206 whenever the commissioner determines that more frequent reports are  
207 required because of certain factors or trends affecting companies  
208 writing a particular class or classes of business or because of changes  
209 in the company's management or financial or operating condition, may  
210 require any fraternal benefit society licensed under sections 38a-595 to  
211 38a-626, inclusive, as amended by this act, 38a-631 to 38a-640,  
212 inclusive, and 38a-800, or any association set forth in subsection (b) of  
213 section 38a-614, as amended by this act, to file financial statements on

214 other than an annual or quarterly basis.

215 (c) If, in the opinion of the commissioner, an association set forth in  
216 subsection (b) of section 38a-614, as amended by this act, has not  
217 maintained qualified assets, as defined in section 38a-71, sufficient to  
218 meet its liabilities and minimum capital and minimum surplus  
219 requirements as determined by the commissioner, the commissioner  
220 may order such association to increase its capital and surplus. If the  
221 association is unable to satisfy such order, the commissioner may order  
222 such association to cease and desist from assuming any additional  
223 liabilities in this state until such time as the association is able to satisfy  
224 the capital and surplus requirements ordered by the commissioner."

This act shall take effect as follows and shall amend the following sections:		
Sec. 501	July 1, 2012	38a-614
Sec. 502	July 1, 2012	38a-615